

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-032
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Harvey Hunter, CPA

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-032

33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Sergio Garcia, President
Board of Directors
33rd DAA, San Benito County Fair
9000 Airline Highway
Tres Pinos, California 95075

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 33rd District Agricultural Association (DAA), San Benito County Fair, Tres Pinos, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 33rd DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

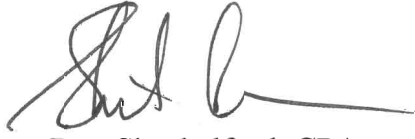
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 33rd DAA, San Benito County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 33rd DAA, San Benito County Fair has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-032, on the 33rd DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 33rd DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

~~Fa~~ Ron Shackelford, CPA
Chief, Audit Office

August 11, 2008

**33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	Account Number	2007	2006
ASSETS			
Cash in Bank	111 - 118	\$ 69,144	\$ 104,134
Accounts Receivable, Net	131	28,372	27,366
Land	191	61,442	61,442
Buildings and Improvements, Net	192	769,437	725,547
Equipment, Net	193	3,116	4,689
TOTAL ASSETS		931,511	923,177
LIABILITIES AND NET RESOURCES			
Liabilities			
Accounts Payable	212	7,557	12,737
Other Payables	221 - 226	9,004	8,443
Deferred Income	228	4,602	46,665
Guaranteed Deposit	241	11,309	14,150
Compensated Absences Liability	245	37,153	35,882
Total Liabilities		69,625	117,876
Net Resources			
Reserve for Junior Livestock Auction	251	61,447	48,611
Net Resources - Operations	291	(33,556)	(34,988)
Net Resources - Capital Assets, less related debt	291.1	833,995	791,678
Total Net Resources Available		861,886	805,301
TOTAL LIABILITIES AND NET RESOURCES		\$ 931,511	\$ 923,177

**33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA**

**STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006**

	Account Number	2007	2006
REVENUE			
State Allocation	312	\$ 180,000	\$ 180,000
Capital Project Reimbursements	319	-	46,780
Other Revenue	340	36,213	-
Admissions	410	69,611	48,702
Commercial Space	415	19,275	18,275
Carnival	421	25,000	30,500
Concessions	422	21,214	20,466
Exhibits	430	19,170	18,192
Horse Show	440	15,646	14,930
Miscellaneous Fair	470	49,667	37,667
JLA Revenue	476	39,862	44,758
Non-Fair Revenue	480	144,186	141,244
Prior Year Adjustment	490	315	(162,589)
Other Operating Revenue	495	19,383	17,859
Total Revenue		639,541	456,783
EXPENSES			
Administration	500	217,911	209,716
Maintenance and Operations	520	189,558	198,448
Publicity	540	22,145	23,759
Attendance	560	20,368	17,625
Miscellaneous Fair	570	8,228	10,639
JLA Expense	576	27,026	32,835
Premiums	580	23,872	21,939
Exhibits	630	26,496	22,831
Horse Show	640	17,711	20,075
Attractions - Fairtime	660	35,835	37,519
Prior Year Adjustments	800	(86,480)	(29,555)
Cash Over/Short from Ticket Sales	850	(43)	(6)
Depreciation Expense	900	44,114	42,719
Other Capital Expenditures, Reimbursable	945	36,213	46,735
Total Expenses		582,955	655,282
RESOURCES			
Net Change - Income / (Loss)		56,585	(198,499)
Resources Available, January 1		805,301	1,003,800
Resources Available, December 31		\$ 861,886	\$ 805,301

**33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ 56,585	\$ (198,499)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(1,007)	586
Increase (Decrease) in Accounts Payable	(5,180)	7,834
Increase (Decrease) in Payroll Taxes Payable	562	659
Increase (Decrease) in Deferred Income	(42,063)	42,705
Increase (Decrease) in Guaranteed Deposits	(2,841)	2,175
Increase (Decrease) in Compensated Absence Liability	1,271	5,412
Total Adjustments	<u>(49,258)</u>	<u>59,370</u>
Net Cash Provided (Used) by Operating Activities	<u>7,327</u>	<u>(139,129)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction-in-Progress		12,938
(Increase) Decrease in Buildings & Improvements, Net	(43,890)	160,826
(Increase) Decrease in Equipment, Ne	<u>1,573</u>	<u>1,563</u>
Net Cash Provided (Used) by Investing Activities	<u>(42,317)</u>	<u>175,326</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Debt	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(34,990)	36,197
Cash at Beginning of Year	104,133	67,936
CASH AT END OF YEAR	<u><u>\$ 69,143</u></u>	<u><u>\$ 104,133</u></u>

**33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 33rd District Agricultural Association (DAA) was formed on July 30, 1937, for the purpose of sponsoring, managing, and conducting the San Benito County Fair each year in Tres Pinos, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAA's to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and depreciated. Buildings and improvements are depreciated over a period of 30 years, and purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the DAA's sales of merchandise. The DAA collects that sales tax from

customers and remits the entire amount to the state Board of Equalization. The DAA's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	5,022	480
Cash in Bank - Premium	250	200
Cash in Bank - LAIF	20,123	70,301
Cash in Bank - JLA	<u>43,649</u>	<u>33,003</u>
Total Cash and Cash Equivalents	<u>\$ 69,144</u>	<u>\$ 104,084</u>

NOTE 3 ACCOUNTS RECEIVABLE

The DAA is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 11,777	\$ 14,537
Accounts Receivable - JLA	17,984	14,218
Allowance for Doubtful Accounts	<u>(1,389)</u>	<u>(1,389)</u>
Accounts Receivable - Net	<u>\$ 28,372</u>	<u>\$ 27,366</u>

NOTE 4 PROPERTY AND EQUIPMENT

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$2,258,328	\$2,186,841
Less: Accumulated Depreciation	<u>(1,488,891)</u>	<u>(1,461,294)</u>
Building & Improvements - Net	<u>\$ 769,437</u>	<u>\$ 725,547</u>

Equipment	\$ 61,421	\$ 61,431
Less: Accumulated Depreciation	<u>(58,305)</u>	<u>(56,742)</u>
Equipment - Net	<u>\$ 3,116</u>	<u>\$ 4,689</u>

NOTE 5 **RETIREMENT PLAN**

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

**33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 33rd DAA Board of Directors
1	Chief Executive Officer, 33rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA

MANAGEMENT REPORT #08-032

YEAR ENDED DECEMBER 31, 2007

33RD DISTRICT AGRICULTURAL ASSOCIATION
SAN BENITO COUNTY FAIR
TRES PINOS, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Harvey Hunter, CPA

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Sergio Garcia President
Board of Directors
33rd DAA, San Benito County Fair
9000 Airline Highway
Tres Pinos, California 95075

In planning and performing our audit of the financial statements of the 33rd District Agricultural Association (DAA), San Benito County Fair, Tres Pinos, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the San Benito County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 33rd DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 33rd DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 33rd DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 33rd DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 33rd DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 33rd DAA and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: accounting for accounting for fixed assets, standard agreements, and sponsorship revenue. We have provided four recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 33rd DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR FIXED ASSETS

An examination of fixed asset records revealed the Fair's property ledger balance did not agree to the general ledger or depreciation schedule balances at year-end for Account #192, Buildings and Improvements, and Account #193, Equipment. Variances of \$283,623 and \$21,952, respectively, were noted. For Account #192, this was the result of no fixed asset transactions being posted to the property ledger since 2004. The property ledger contains detailed fixed asset information and is a subsidiary ledger to the general ledger. Because the property ledger is created to support any general ledger account balance, the property ledger should equal the general ledger. To assure equality, a periodic reconciliation should be performed.

Recommendation

- 1. The Fair should make it a priority to update its property ledger for Account #192 and Account #193. In the future, the Fair should perform, at a minimum, an annual reconciliation between the property ledger and general ledger to ensure these amounts agree. Any differences should be researched for their cause and corrected prior to closing the accounting period and preparing the year-ending financial statements. In addition, the Fair should ensure the depreciation schedule historical cost balances for each asset are in agreement with amounts reported in the property ledger.*

STANDARD AGREEMENTS

An examination of standard agreements revealed the following exceptions:

- a. The Fair did not go out to bid for four personal service contracts in excess of \$5,000 when required. According to the F&E Contracts Manual, contracts over \$5,000 and not otherwise exempt from bidding must be either formally bid or awarded using the Alternative Bid Process.
- b. The Fair did not prepare a standard agreement for seven businesses/individuals who received an IRS Form 1099-MISC for services rendered. According to the APM, fairs are required to enter into a contract for all services performed by independent contractors.

Recommendations

- 2. The Fair should follow the F&E Contracts Manual and obtain bids for all contracts over \$5,000 that are not otherwise exempt from the bidding process.*
- 3. The Fair should ensure that a contract exists for any business/individual who receives an IRS Form 1099-MISC from the Fair for services rendered.*

SPONSORSHIP REVENUE

The Fair has no Board-established procedures for entering into sponsorship agreements. In 2007, the 33rd DAA received more than \$27,000 in sponsorship revenue. According to the F&E Contracts Manual, DAAs should have Board-established procedures for entering into sponsorship agreements. This includes procedures for securing sponsorships, as well as procedures for sponsorship coordinators. All established sponsorship procedures must be reviewed and approved by the Board of Directors.

Recommendation

4. *The Fair should comply with F&E's Contracts Manual by establishing Board-approved procedures for entering into sponsorship agreements. These procedures will benefit the Fair, as they will specify consistent practices for Fair management and employees to follow when procuring sponsorship revenues.*

NON-REPORTABLE CONDITIONS

TEMPORARY EMPLOYEE HIRING

The Fair exposed itself to loss by not complying with all Federal laws regarding the hiring of temporary employees. Our office noted the Fair did not prepare and submit the DE 34, Report of New Employee(s), to the State of California Employment Development Department (EDD) New Employee Registry as required. Federal law requires all employers to report to the EDD within 20 days of their start-of-work date.

Recommendation

The Fair should comply with all State and Federal employment laws by ensuring that the DE 34, Report of New Employee(s), is prepared and submitted to the EDD New Employee Registry within 20 days of their start-of-work date.

INDEPENDENT CONTRACTORS

The Fair did not prepare and submit the DE 542, Report of Independent Contractors, to the EDD as required. Information contained on the form is used to assist the state and county agencies in locating parents who are delinquent in their child support obligations. This report is to be submitted to the EDD within 20 days of paying/contracting for \$600 or more in services received by the DAA.

Recommendation

The Fair should ensure that the DE 542, Report of Independent Contractors is prepared and submitted to the EDD within 20 days of paying/contracting for \$600 or more in services.

COMPENSATED ABSENCE LIABILITY

The Fair did not ensure that all Standard Form 634's (Std 634's), Absence and Additional Time Worked Reports, completed by permanent employees contained a supervisor signature verifying review and approval of the hours reported on the report. According to the Accounting Procedures Manual, all time cards prepared by employees must be reviewed and approved by a supervisor to ensure the hours reported as worked were appropriate.

In addition, our office noted the Fair allowed one permanent employee to carryover, at year-end 2007, a vacation leave balance of 464 hours. This balance exceeds the maximum limitation of 400 hours as established by the Department of Personal Administration (DPA).

Recommendation

The Fair should ensure that all Std 634's contain a supervisor signature verifying review of the hours reported on the form by the employee. This process should occur on a monthly basis.

The Fair should comply with DPA limitations on excessive compensated absences by encouraging its permanent employees to take vacation and thereby reducing their respective vacation leave balances.

PURCHASING PROCEDURES

An examination of the Fair's purchasing procedures revealed the following exceptions:

- a. The Fair did not always prepare a Std 65 purchase order for purchases greater than \$100 as required. As a result, if required the Fair did not report all purchasing authority transactions on a monthly basis to the Department of General Services. As part of the Delegated Purchasing Authority, the Fair is required to complete a Std 65 for all purchases in excess of \$100.
- b. The Fair made opportunity purchases during 2007; however, the Fair did not document that purchases made locally were at a price equivalent to or less than that available through the state-purchasing program. According to the F&E Purchasing Manual, fairs are required to prepare an opportunity purchase justification noting the state price which the local price either meets or beats. Opportunity purchases allow DAA's to purchase commodities from any source, provided it meets or beats the state price.

Recommendations

The Fair should ensure that a Standard 65 purchase order is prepared for all purchases greater than \$100.

The Fair should follow approved purchasing procedures when making opportunity purchases, which require documenting that the purchase price is less than or equal to that available through the state-purchasing program.

CASH RECEIPTS

The Fair did not always make bank deposits the next business day when required. Our office noted several instances where cash receipts in excess of \$500 cash or \$5,000 cash/check were not deposited the next business day. According to the APM, fairs should make a bank deposit the next business day whenever cash exceeds \$500 or when cash in the aggregate exceeds \$5,000.

In addition, on occasion the Fair allowed the transportation of coin and currency to the bank in excess of \$3,000 by a single employee. According to the State Administrative Manual (SAM), a single employee will not transport coin and currency in excess of \$3,000 at one time for deposit or to replenish ATM machines on the fairgrounds.

Recommendations

The Fair should make every possible effort to deposit cash receipts in excess of \$500 cash or \$5,000 cash/check the next business day.

The Fair should follow the SAM and ensure that no coin and currency in excess of \$3,000 is transported by a single employee.

CARNIVAL REVENUE

The Fair exposed itself to loss by not obtaining the carnival recap sheet from the carnival contractor for the 2007 fair. Without the recap sheet, the Fair was unable to confirm whether they received the correct amount of revenue from the carnival contractor. The recap sheet provides fairtime information to determine whether the Fair should receive the minimum guarantee or the dollar amount per paid admission and food/game concessions.

Recommendation

The Fair improve its accounting controls over its share of carnival revenue by obtaining and reviewing the carnival recap sheet at the conclusion of the fair to ensure they receive the correct amount of carnival revenue.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



October 31, 2008

Attn: Ron Shackelford
Chief, Audit Office
State of California
Department of Food and Agriculture
1220 N. Street, Room 344
Sacramento, CA 95814

RE: Management 08-032

Dear Ron,

Please find an overview of our written responses stating our plans and a timetable for implementing each recommendation as per our recent audit.

ACCOUNTING FIXED ASSETS

1. The fair will make it a priority to update its property ledger for account # 192 and Account # 193. The fair will on a yearly basis perform an annual reconciliation between the property ledger and general ledger to ensure the amounts agree.

STANDARD AGREEMENTS

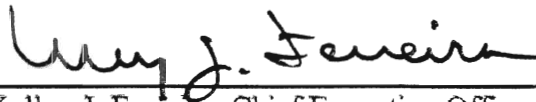
2. The fair will obtain bids for all contracts over \$ 5,000.00 that are not otherwise exempt from the bidding process.
3. The fair will ensure that all contracts shall exist for any business / individual who receives an IRS Form 1099-MISC from the fair for services rendered.

SPONSORSHIP REVENUE

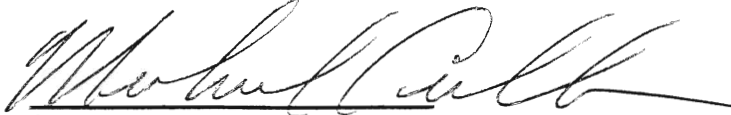
4. The fair's Board of Directors at the October 14, 2008 Board meeting approved Board established procedures for entering into sponsorship agreements.

Should you require any further assistance, please feel free to call me.

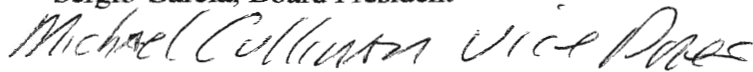
Respectfully,



Kelley J. Ferreira, Chief Executive Officer



Sergio Garcia, Board President



cc: Bruce Lim, Division of Fairs and Expositions

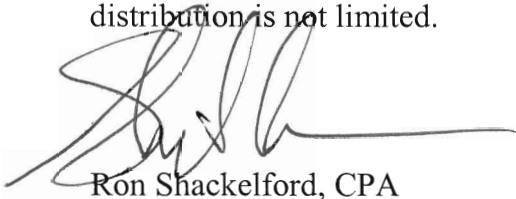
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 33rd DAA, San Benito County Fair, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between July 21, 2008 and August 11, 2008. My staff met with management on August 11, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
for Chief, Audit Office

August 11, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 33rd DAA Board of Directors
1	Chief Executive Officer, 33rd DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office